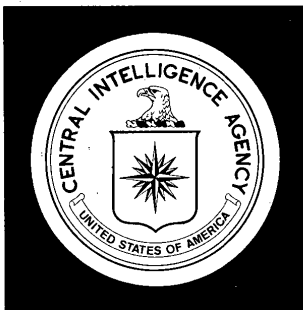


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The President's Daily Brief

June 11, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

June 11, 1974

PRINCIPAL DEVELOPMENTS

The Italian government's resignation yesterday resulted from the center-left coalition's split over how to cope with the country's soaring trade deficit and record-breaking inflation. (Page 1)

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Jordan [redacted]
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President Giscard d'Estaing's cancellation yesterday of one of the scheduled atmospheric nuclear tests will take some sting out of charges that the military had forced him to acquiesce in the testing. (Page 3)

In Thailand, student radicals joined a major demonstration by textile workers over the weekend and are encouraging the workers to strike. (Page 4)

Notes on USSR-Syria, China, and Afghanistan-USSR appear on Page 5.

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ITALY

The resignation of Prime Minister Rumor's center-left coalition government was prompted by a fundamental dispute over how to cope with the critical state of the Italian economy. The coalition partners disagreed on how to combat the enormous trade deficit and the record-breaking inflation. Rumor's Christian Democratic Party insisted on monetary restraints and across-the-board tax increases to curtail domestic demand. His Socialist partners favored easing credit and making tax hikes selective to shield low-income groups.

President Leone has asked Rumor to head a caretaker government during negotiations on forming a new government. If these negotiations become unduly contentious or prolonged, they will add weight to the argument of the Communist Party, Italy's second largest, that the country cannot be governed effectively without its participation.

The severity of the economic problem favors a quick solution. Mounting neo-fascist violence in recent months is also a matter of concern. To prevent nourishing a climate of rightist-inspired violence, the left-of-center parties might agree to accept some austerity measures now, in return for Christian Democratic promises of support for their programs once the economy improves.

Italy's trade deficit for April again topped \$1 billion, pushing the January-April deficit to over \$4 billion. About half this deficit results from petroleum imports, but some comes from the growing demand for quality food products. Italy has been unable to obtain adequate foreign loans to cover its deficit, and the head of the central bank claims that Italy's credit has been exhausted. The government has resisted devaluation because its short-term effect would be to aggravate inflation, already running at an annual rate of 25 percent.

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JORDAN

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FRANCE

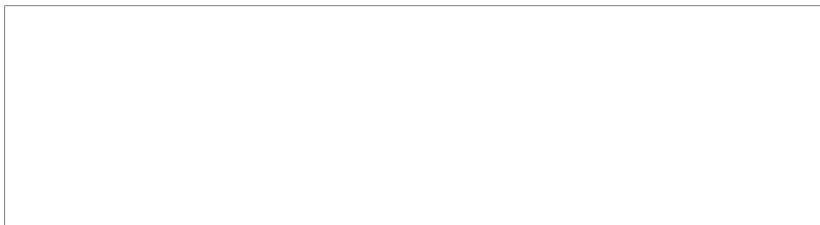
President Giscard d'Estaing's cancellation yesterday of one of the atmospheric nuclear tests France had planned this summer will take some of the sting out of charges that the military had virtually forced him to acquiesce in the testing. Giscard's explanation that the test was canceled for financial reasons is unconvincing; considerably more money goes into nuclear research and development than into testing, and the savings would be relatively small.

Giscard's move suggests that the French have decided not to go through with plans to set off a device with a yield of several hundred kilotons. Such an explosion would produce greater fallout and provoke strong criticism at home and abroad.

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THAILAND


Student radicals joined a major demonstration by textile workers over the weekend and are encouraging the workers to strike. Radical student and labor leaders are using the protests as an opening for antigovernment and anti-US speeches.



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 Prime Minister Sanya may be able to persuade those moderates who still have influence among Bangkok's generally conservative student population to stay away from the air-base issue. If Sanya fails, Krit is likely to press him to clamp down on the radicals.

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FOR THE PRESIDENT ONLY

NOTES

USSR-Syria: The Soviets have convinced leaders of the Syrian Communist Party to give more active backing to the policies of President Asad and, in particular, to the Syrian-Israeli disengagement agreement. The party's newspaper yesterday warmly endorsed the agreement. Although the Communists play no major role in Syrian politics, Asad presumably will welcome their cooperation as another sign of Moscow's support for his regime.

China: Peking domestic news broadcasts and People's Daily over the weekend included reports of President Nixon's trip to the Middle East and Secretary Kissinger's recent speech in New York to organizations interested in promoting further contacts with the PRC. The report on the Secretary's speech stressed his comments concerning US intentions to continue the process of normalizing relations. The decision to carry the Secretary's remarks was a rare occasion and will be interpreted throughout China as a clear mark of approval from the highest levels both of US policy toward the PRC and of Peking's opening to Washington.

Afghanistan-USSR: President Daoud on June 8 returned from a five-day official visit to the USSR during which he held talks with Brezhnev, Kosygin, Podgorny, and Gromyko. The Soviets managed to get Daoud to endorse their proposed Asian collective security system. No previous Afghan government had endorsed this proposal, which has attracted little attention elsewhere in Asia. The joint statement concluding the visit suggests Moscow gave Daoud little encouragement in his territorial dispute with Pakistan.

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